

The possibility of a farm direct market in Asia
- A consideration about “local production for local consumption” by JA -

Phd. Shinri Murakami
Kyushu International University

Keywords : local production for local consumption, farm-direct-market, relationship marketing

1. Introduction

A movement of a farm export to Asia is getting active in Japan. And "Large market project of the farm direct market" is in the movement. Japan Agricultural cooperatives (JA) and economic organizations in Kyushu-district 7 prefectures cooperated with this. The purpose here is to sell farm products made in Kyushu in quantities in Asian hub cities such as Hong Kong and Singapore. In this way, the forward-looking action which establishes a Japanese style farm-direct-market¹ in Asia has begun to move.

The economic policy of the current Japanese administration is called Abenomics. In this policy, regional revitalization is the most important. And the biggest key word in regional revitalization is "Sixth Industry" which combined the primary, secondary and tertiary industries into one industry to generate new added values for the region. Considering this situation, this project is also good model. But there was no case of a large-scale cooperation between JA and an economic organization up to now. There were no examples of collaboration in the past in the wide area level of 7 prefectures.

JA plays an important role in this project. JA participates in a farm-direct-market which has succeeded in Japan up to now. Basically, a farm-direct-market JA manages has/features "local production for local consumption" as its object. There are also large-scale facilities where JA and a local government cooperated and made such a farm-direct-market.

But most of the farm-direct-markets is small-scale facilities. Because a business area of JA is small. And it was so profitable that a business area was small for JA to aim at "local production

¹ There are not a few direct market dealing with marine products in Japan. However, there is a reality that many of direct market are involving in agricultural cooperatives. Based on this, it is limited to the agricultural products in this study.

for local consumption". In this way, JA has supported a farm-direct-market from the side as "local production for local consumption". As a result, the farm-direct-market is valued from many customers. It's different from the supermarket managed only for commercial purposes in this point.

Like the above, "local production for local consumption" is one success factor for the farm-direct-market in Japan. When developing a Japanese style farm-direct-market at Asian hub cities, there is an anxiety that the spirit of local production for local consumption doesn't involve. It's also different from the original purpose. Furthermore "heart-to-heart exchanges" among agricultural producers and customers is also important. That's generally called relationship. The author don't know well whether relationship is shown in the Japanese style farm-direct-market established in Asian hub cities.

These points are research questions. If the author could make them clear, some implications would also be given to a sub-theme. Specifically, the author put a point at the issue of local production for local consumption based on the relationship marketing theory first. Next the author established a hypothesis in a Japanese style farm-direct-market. And the author tried a questionnaire survey to the users at a small farm-direct-market. In the result the validity of the hypothesis was inspected. At the end the author considered the possibility of the market direct from the farm in the Asian hub cities.

2. Local Production for Local Consumption

2-1 The definition of the concept

Local production for local consumption means that persons living in local area eats agricultural products made in same area. In recent Japan, many problems about the food occur, such as the eating habits that balance of the nourishment collapsed, increase of the lifestyle-related disease, drop of the food self-sufficiency ratio, food camouflage. And the interest of customer in food safety and relief increases very much. Food is just a life-spring, and it has the relation that is close to human health. And it is agriculture to support food.

A concept of local production for local consumption is certain kinetic theory. It is not a purpose only to increase consumption of local products, but also construction of mutual trust between the producer and customer, realization of the healthy eating habits, understanding to food culture, environmental conservation, local activation. It takes many roles. Furthermore, local production

for local consumption links the international movement such as “Slow Food” and LOHAS (Lifestyles of health and sustainability). As for them, it is hoped that synergy is shown by being related closely.

2-2 Merit and Demerit

As the above, local production for local consumption have much possibility. Next the author will point out the merit.

- for customer-

- 1) Customer can buy fresh and reliable ingredients.
- 2) Because of seeing the face of the producer always, they can feel relieved.
- 3) The producer teach them delicious how to eat.
- 4) There is a interchange in the mind between the producer and customer.
- 5) Customer can know the true taste of the crops.

- for the agricultural producer-

- 1) The agricultural producer can know the needs of customer precisely and produce effectively.
- 2) An expense about the circulation is reduced, the incomes of the producer will increase.
- 3) It becomes easy to sell a little or non-standard products by direct selling.
- 4) By selling on face-to-face, agricultural producer can know customer response and evaluation.
- 5) The agricultural producer is positive toward a quality improvement and customer service.
- 6) An elderly person and a woman can realize a definite aim and worth doing.
- 7) Solidarity awareness in the area is strengthened.
- 8) A local special product is succeeded to.
- 9) Farmland and a farming technique are kept in good condition.

On the other hand, as a demerit, it could point out the following matters. First, since local production for local consumption is not necessarily a system that is suitable for mass distribution, it may become a factor of cost-up. Second, there is risk of falling into an easy way of thinking, such as "we can sell any local products if according the method of local production for local consumption". And strictly speaking, only by local agricultural products, it is difficult to cover all of the customer needs. Therefore, local production for local consumption is not a "central way" in the distribution of agricultural products.

These things are, rather than a disadvantage, but should rather say limits or points of local

production for local consumption. And these are not intended to directly lead to a negative opinion of local production for local consumption.

3. Relationship Marketing

3-1 Theoretical frame and its forming process

While there is much research being done on relationship marketing, discussions are not uniform. Let's look at some typical theoretical frames. Relationship marketing focuses on the relationships between businesses and the outside world, and its fundamental framework starts from defining the objects of relationship formation and the contents of the relationship itself (Wada, et al. 2006). The objects of relationship formation are consumers, business partners, capitalists, investors, etc. referred to as stakeholders. But the contents of the relationships are more distinctive, with interaction as the central concept, and then with trust as one of its key concepts.

There is a way to look at the relationship from the viewpoint of exchange. Ishii, et al. (2004) focuses not on exchange but "meta-exchange" as a prerequisite in relationship marketing. Therefore, once the relationship between a seller and a buyer is established, there arises a mode of business transaction different from traditional marketing. What is stressed in relationship marketing is a way of thinking that is summed up in the phrase "In the beginning, there was a relationship." (Ishii, et al. 2004, p392) The central issue here is to establish a long-term and consecutive relationship first before exchange occurs.

Next, let's look at the formation process. Arndt's "Domesticated Markets Model" (1979) is well known as a pioneering achievement in relationship marketing. Arndt focused of the point that many transactions in a competitive market are made in the context of a long-term and consecutive customer relationship. This was quite a different idea from the traditional market concept. Specifically, structuring an inter-organizational system in consortiums, franchising, vertical and horizontal integration etc. is assumed as a way of being close to a stratified organization. Moreover, a consecutive trading relationship is premised on well-established initiative and the free use of political influence.

However, it is often pointed out that the Arndt model has its limits in today's market environment in that the hierarchical trading relationship is collapsing trying to cope with the unreliability of today's markets. Moreover, consumers in the final market are not included.

While this model indicates a long-term aspects, it only explains a very limited part of the trading relationship (Den, 2004).

The Dwyer, Schurr, and Oh (1987) model is famous for focusing on sellers and buyers. Dwyer, et al explained the consumers who were ignored by Arndt in terms of a five-step developmental phased business relationship by classifying which proved how a consecutive trading relationship develops closer ties through trust. However, this model does not move the relationship into a higher level without forming trust between the subjects in the first step. Moreover, the kind of trust the relationship is based on is not explained.

Morgan and Hunt (1994) recognize a consecutive trading relationship as the connection of “trust” and “commitment.” They regard trust and commitment as the central concepts, making these relationships simpler to explain than the consecutive trading relationship. Therefore they do not show the graded continuous relationship as the Dwyer, et al. model did. Furthermore, Morgan and Hunt set up precedent variables and result variables for trust and commitment, and explained how interactions will influence both concepts.

3-2 The importance of measurement and constructive concepts

One of the challenges of relationship marketing is how to measure its central concept of relationship. Kubota (2001) says that it is important to first accurately grasp the state of the relationship for the actual research and management of the relationship. Because the idea of relationship is abstract it needs to be measured with some practical scales. Kubota also points out that when the concept of relationship is taken up, the academic and practical questions inevitably arise as to how to measure it.

Moreover, Kubota says that many earlier researches measured relationships in terms of the aspect of “relationship quality,” which is inevitably complicated. Therefore it becomes more common to measure relationships by making the observed variables the measured index. The relationship quality here is a status of qualitative relationship between the two bodies, a seller and a buyer, which is a higher-level concept formed by abstract components.

Now, what kind of practical constructive concepts of relationship or relationship quality can be found here? Weitz and Bradford (1999) treated the component of relationship quality as four matrixes of attitudes and behaviors, present status and signals of future status. They recognized “satisfaction” as an index of current attitudes, and “trust” and “commitment” as an index of future

attitudes. In this case, the body of evaluation is the business partner. They also mention that trust and commitment have often been used as a measurement scale of relationship by many researchers.

Ono (1997) recognized “trust” as the central concept of relationship, and stressed the need of studying a causal relationship with consequences, i.e., how the trust between the trading parties will influence the outcome index. The consequences here refer to the depth of consecutive communication and collaboration, ensuring stable profit opportunities in consecutive business relationships caused by the consecutive communication and collaboration, static competitive edge (Product costs, quality, delivery date, etc.), dynamic competitive edge (Kaizen or improvement, technological progress, flexibility) and saving of trading costs.

Anderson and Weitz (1992) demonstrated through the researches for manufacturer and distributor that “commitment” is a component of relationship quality. This commitment is defined as a concept in which the establishment of stable relationship is hoped for, receiving sacrifice in the short term to maintain the relationship, and stable relationship is included. As stated before, Dwyer, Schurr, and Oh (1987) recognized trust and commitment as important concept of the relationship development process. Henning - Thureau and Klee (1997) also paid attention to trust and commitment in their concept studies.

As stated above, relationship, a central element of relationship marketing is an abstract concept whose measurement cannot be avoided. Many preceding studies examined relationship quality, where, above all, trust and commitment were particularly valued as measurement scales. Then it was discovered that exploring causal relationship with an inner index of businesses with these measurement scales could lead to grasping the status of relationship in terms of the economic aspects.

4. Discussion with the Staff

The author make sure the research question in this study. Specifically, 5 points below. There are some "simple question". And the most central issue is, in Asian hub cities, the possibility of a Japanese style farm-direct-market. Why are many farm-direct-market in Japan advocate local production for local consumption? What is the benefits being given by local production for local consumption to the farm-direct-market? Can we explain the customer awareness of the farm-direct-market by the theory of the relationship marketing? And what is the actual situation

of local production for local consumption in Asian countries? More, can the Japanese style farm-direct-market success in Asian countries?

Then, the author examined how to proceed the research. Research questions are mutually related to each other, and should constitute the framework of this study. To ensure the fairness and validity in this regard, the author have a help of the staff to operate the farm-direct-market. They, initially, were sharing the relationship marketing review and the definition of local production for local consumption. And they considered the research question individually for appropriation of this study. As a result, it was concluded that research is essential for the customer of the farm-direct-market. Then, as a measure of the study, it was to assume eight motivations. What about the customer are for buying motivations, for relishing motivations, for visiting motivations and for learning motivations. What about the agricultural producers are for producing motivations, for selling motivations, for exhibiting motivations and for relational motivations.

5. Hypothesis Model

After having the staff meeting, the author got eight of the measure. Next theme is the correlation of each measure. The author got the idea that we can observe the certain level of correlation between the consciousness of customer and agricultural producers concerning about local production for local consumption, and the utilization degree of the farm-direct-market. Then, The author made a hypothesis model (figure1). Based on this, the author try to carry out a questionnaire survey of agricultural producers and customers. And the author want to verify the validity of the hypothesis.

In preparing the questionnaire of the survey, it was to define the eight measures. As apparent from this point, an object of the customer, not just to buy the ingredients. The purpose of the agricultural producer also, not just simply to sell agricultural products. This is a major feature of local production for local consumption. These fact will become apparent in the survey in the farm-direct-market.

1) Motivations of the customer

- Buying motivations: Willingness to buy a good food at a reasonable price.
- Relishing motivations: Willingness to eat the ingredients deliciously through appropriate cooking method.

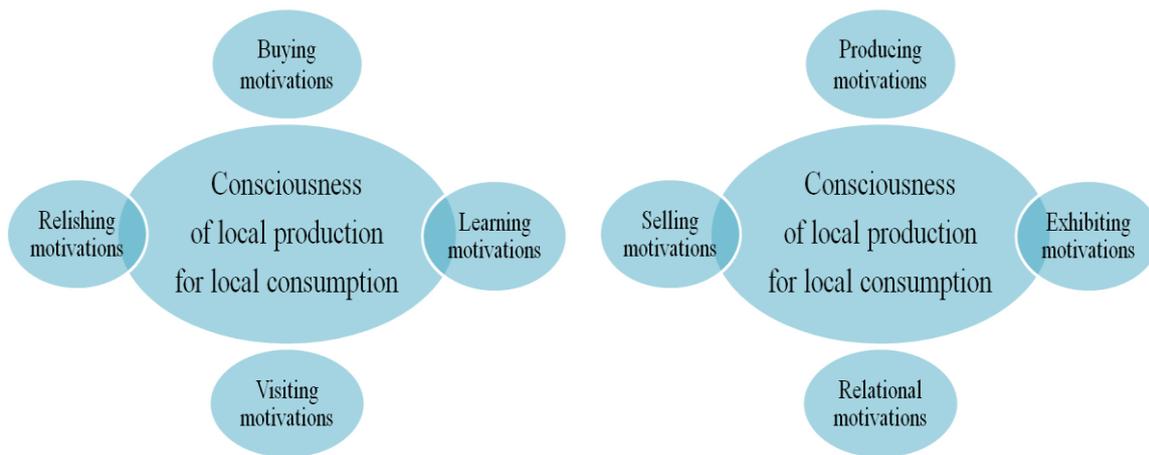


figure1

Relationship between motivation and consciousness (left: of customer, right: of agricultural producers)

- Visiting motivations: Willingness to visit the farm-direct-market frequently, regardless of the sense of distance between the home and the farm-direct-market.
- Learning motivations: Willingness to know the approaching about safety and security of agricultural products.

2) Motivations of the agricultural producers

- Producing motivations: Willingness to grow a good agricultural products. This includes the selection of breeding.
- Selling motivations: Willingness to sell themselves. This includes devised and promotion of sales.
- Exhibiting motivations: Willingness to continue the shipment. This includes involvement in the management of the farm-direct-market.
- Relational motivations: In the farm-direct-market, willingness to chat with customer. This includes to collect a variety of information about the customer.

6. Analysis Results and Consideration

6-1 Analysis results

The farm-direct-market that the author was tried a questionnaire survey is "Smile-station Hofu" in Hohu city. And there is a famous shrine in central area. For this reason people know it as a tourist town. "Smile-station Hofu" opened in March of this year. The number of customer who use "Smile-station Hofu" is less and not stable. So the author decided to do a preliminary

investigation.

Research subject is a guest of the opening ceremony which was held in just before opening of "Smile-station Hofu". Number of samples are 30 persons as customer, and 10 persons as agricultural producer. Survey method was adopted the same questionnaire method as a formal investigation. And According to the correlation analysis, between customer's motivation and the consciousness of local production for local consumption, 0.8 or more of the high coefficient of correlation was shown. And between agricultural producer's motivation and the consciousness of local production for local consumption, this trend was shown too.

Then, the author was carried out a formal investigation. The period of survey was from June 12th to 20th of this year. Number of samples are 51 as customer, and all of them were fill in the questionnaire themselves. However, the results of the correlation analysis was contrary to the hypothesis (table1). Between the consciousness of local production for local consumption and each measure, a clear correlation has not been shown (-0.10~0.14). Correlation of each measure showed a moderate coefficient too (0.30~0.47).

On the other hand, about the agricultural producer, the author has obtained the results of the hypothesis as expected generally. However, the agricultural producers were few to use the market at this time. And they had been busy in the market, so they did not have time to fill out a questionnaire. For this reason, I have examined their consciousness in the hearing method, and for the author it was his best to collect the 20 samples. So the correlation analysis was not performed. But through the average value, the author guess that there is a high correlation for all of measure.

6-2 Consideration

The problem here is that there is a big difference between the results of the preliminary investigation and the results of formal investigation. This was unexpected even for the author. One possible reason for this is the difference of customer attributes. Customers in the formal investigation can be divided into three groups. First, elderly people living in the neighboring market is. They are using the market because they live happened to be nearby. If there is another market in closer, they would use that. Such they would not have high interest in local production for local consumption. Second, so-called heavy user is. They come to the farm-direct-market by car in every weekend, and buy a large amount of goods. And more because of having a certain

table1 Correlation between the consciousness of local production for local consumption and each measure

	Buying motivations	Relishing motivations	Visiting motivations	Learning motivations	Consciousness of local production for local consumption
Buying motivations	...	0.47	0.34	0.33	-0.10
Relishing motivations		...	0.50	0.35	0.14
Visiting motivations			...	0.40	-0.02
Learning motivations				...	0.11
Consciousness of local production for local consumption					...

experience, they can buy the excellent goods at a reasonable price. Third, It is tourists. In June, there are many tourists visiting the Hofu city. The famous shrine is located in the immediate vicinity of "Smile-station Hofu". And they would not have high interest in local production for local consumption too.

In contrast to this, the subject of a preliminary investigation was guests of the ceremony, and many of them were having qualities as heavy user. If the investigation that made heavy user only the target, no wonder despite detection of a high correlation. Furthermore, it is lack of the number of samples is also one of the causes. So at the moment I don't want to decide on the validity of the hypothesis model. Fortunately, a high correlation is detected from the heavy user of farm-direct-market. This fact is important, because it indicates that the direction of hypothetical model is correct. To segment the customer to severe and to Increase the number of samples are author's challenge in the future.

7. Interview to the Buyer

Finally we introduce the results of the interview to the buyer. This analysis was disappointing results. If originally, the author should be carried out the interview from the minor issue. Interviews with no sufficient grounds does not make sense. However, already the author conducted a brief interview to two buyers. For reference the results are introduced.

1) Buyer A (20 years of business career, belonging to the organization associated with JA,

specialist in fruit).

It is the difficult question whether Japanese style direct-farm-market can be deployed in Hong Kong and Singapore in the original form. In the strict sense, it does not seem to be able to demonstrate the goodness of local production for local consumption. About "Large market project of the farm direct market", I know that the pace of the agricultural producers' side is not aligned. Their best is to appeal to shorten the transport time only. Whether Japanese style direct-farm-market can success, it is necessary to ascertain the customer needs. In that sense, now I can not clear comments.

2) Buyer B (13 years of business career, belonging to Japanese department store).

Recently "bakugai" has been attracting attention by Chinese tourists in Japan. It means to buy a large quantity of goods at one time. Such Chinese might be a small number. Do not be misled by such images. Chinese lived in Hong Kong and Singapore have a certain criteria for shopping. In many case, many of them need no support by staff in the store. Therefore they do not have interest in Japanese style direct-farm-market and some assist by agricultural producer in the market. I think that Japanese style direct-farm-market cannot show the characteristic.

8. Conclusion

This research has focused on Japanese-style farm-direct-market aiming at local production for local consumption, verifying the effectiveness of a marketing approach by making operable the motivation of customer and agricultural producer. As a result, it was confirmed that the certain level of correlation between the consciousness concerning about local production for local consumption, and the utilization degree of the farm-direct-market are observed roughly. However, it is to apply only if the customer is a heavy user. In this regard, the major challenge was left in this study.

On the other hand, the results of the interviews to the buyer is an interesting one. In this study, it was kept to reference only. But the author have the idea that It will be a leading material of considering the future direction. It is expected that Local production for local consumption is a strong bond that connects the customer and agricultural producer in a healthy manner. It is difficult to expand the farm-direct-market in Asian region quickly. Therefore, there is also the significance of this research.

References

- Anderson, Erin, and Barton Weitz (1992) "The Use of Pledges to Build and Sustain Commitment in Distribution Channels," *Journal of Marketing Research*, 24 (February), pp.18-34
- Arndt, Johan (1979) "Toward a Concept of Domesticated Markets," *Journal of Marketing*, 43 (Fall), pp.69-75
- Den Gyosou (2004) "Relationship Marketing ni okeru rironkenkyu no houkou," *Mita Syogaku Kenkyu*, 47(5), pp.129-150
- Dwyer, F. Robert, Paul H. Schurr, Sejo Oh (1987) "Developing Buyer-Seller Relationships," *Journal of Marketing*, 51 (April), pp.11-27
- Hennig-Thurau, Thorsten and Alexander Klee (1997) "The Impact of Customer Satisfaction and Relationship Quality on Customer Retention: A Critical Reassessment and Model Development," *Psychology & Marketing*, 14 (8), pp.737-764
- Ishii Jyunzoh, Kuriki Kei, Shimaguchi Mitsuaki, and Yoda Takuroh (2004) *Marketing Nyumon*, nihon-keizai-shinbunsha
- Kubota Michihiko (2001) "Relationship Gainen no Saikentou," *Chukyo Syogaku Ronsou*, 48 (1), pp.121-177
- Morgan, Robert M. and Shelby D. Hunt (1994) "The Commitment-Trust Theory of Relationship Marketing," *Journal of Marketing*, 58 (July), pp.20-38
- Nishiura Yuji (1998) *Financial Marketing*, Toyokeizai-sinpousya
- Ono Jyoji (1997) "Trust in Marketing," *Japan Marketing Journal*, 63, pp.93-100
- Wada Mitsuo, Miura Toshihiko, and Onzou Naoto (2006) *Marketing Strategy 3rd edition*, Yuhikaku Arma
- Weitz, Barton A. and Kevin D. Bradford (1999) "Personal Selling and Sales Management: A Relationship Marketing Perspective," *Journal of the Academy of Marketing Science*, 27 (2), pp.241-254
- Yuri Muneyuki (2003) *Relationship Banking Nyumon*, kinnyu-zaisei jijyo kenkyukai